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A RURAL CREDIT PROGRAM  
# 406

# WATERSHED LOANS

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U.S. DEPARTMENT OF AGRICULTURE  
FARMERS HOME ADMINISTRATION • PA-406

# WATERSHED LOANS

To:

- Protect
- Develop
- Utilize Your Watershed

Local organizations can obtain watershed loans or advances to carry out plans to protect, develop and utilize the land and water resources in small watersheds.

The loans or advances help local organizations pay costs allocated to them in an approved watershed work plan.

The loans are available from the Farmers Home Administration, an agency of the U.S. Department of Agriculture.

The advances are available from the Soil Conservation Service after the Farmers Home Administration has approved the arrangements for the repayment thereof.

Each organization who applies will receive equal consideration regardless of race, color, creed, or national origin.

Questions and answers about the watershed loan program follow:

## What projects are eligible?

Loans and advances are made only to finance the local share of costs of improvements in watershed projects approved under the Watershed Protection and Flood Prevention Act or in connection with the 11 watershed improvement programs authorized by the Flood Control Act of 1944. An application for a watershed loan or advance should not be filed until after the SCS approves the watershed for planning. See leaflet SCS-C1-4 titled, "Small Watershed Projects," for a brief outline on how to obtain aid from the Soil Conservation Service.

## What local organizations are eligible?

Eligible local organizations may include a soil or water conservation district, irrigation district, drainage district, flood prevention or control district, municipal corporation, reservoir company or similar organization. It must have authority under State law to obtain, give security for and raise revenues to repay the loan and to operate and maintain the facilities financed with the loan.

## How may loan funds be used?

Loan funds may be used:

1. To install, repair or improve facilities to:
  - a. Store and convey irrigation water to farms.
  - b. Drain farm areas.
  - c. Store, treat and distribute water mainly for farm household, livestock and crop spraying purposes.
  - d. Stabilize annual streamflow, increase the recharge of ground water reservoirs and conserve present water supplies.
2. For special land treatment measures, structures or equipment installed or used by the local organization primarily, but not entirely, for flood prevention and which produce community benefits sufficient to justify use of taxes or other local revenues for their installation.
3. To install, repair, or improve water storage facilities for such purposes as recreation, fish and wildlife improvement, and pollution abatement by streamflow regulation and saline water intrusion control and to meet a municipality's immediate or future water supply needs. A loan for a storage reservoir for municipal water supply may include funds for pipelines and any necessary pumping facilities to convey the water from the reservoir to the existing or proposed municipal treatment facilities or water system.
4. For recreational developments in or adjacent to reservoirs, lakes, natural streams or shorelines including minimum basic facilities needed for public health and safety, access and use.
5. For fish and wildlife developments which may include water resource improvements and minimum basic facilities which are primarily for the improvement of the environment or habitat for fish and wildlife.
6. To buy a full or part interest in land for sites or rights-of-way upon which works of improvement will be located; to pay associated costs such as for the removal, relocation or replacement of bridges, roads, railroads, pipelines, buildings and fences.

7. To repay an advance made by the SCS for the immediate purchase of land and rights-of-way essential to preserve sites for works of improvement from interference by encroachment of other developments.
8. To acquire a water supply or a water right.
9. To employ engineers, attorneys, auditors, construction foremen and clerks needed to organize the group, make engineering surveys, develop construction plans, administer construction contracts and supervise the building of works of improvement.
10. To buy equipment needed to build or install the planned works of improvement provided it cannot be rented cheaper or that the cost of works of improvement will be lower as a result.
11. To refinance debts of a local organization under certain conditions.

## How may advance funds be used?

Advances by SCS may be used:

1. To pay the construction cost of reservoir capacity including intake and outlet structures for future municipal and industrial water supply.
2. To acquire sites for authorized types of works of improvements where immediate acquisition is essential to preserve them from interference by other developments.

## What are the terms?

Loans are scheduled for repayment within the shortest period consistent with the borrowers' abilities to repay. The repayment period may not exceed that permitted by the applicable State law and in no event will exceed 50 years from when the principal benefits of the facilities become available. There must be adequate evidence that income will be sufficient to meet all scheduled repayments.

Advance terms:

1. Advances to preserve sites must be fully repaid with interest prior to beginning construction of works of improvement on the sites thus acquired.



2. If permitted by State law, principal repayments on advances for future water supply may be deferred until 1 year after water is first used from the storage capacity installed with the advance or until the end of 10 years from the scheduled completion date of the structure, whichever occurs first.

No interest will be charged on advances for future water supply until water is first used or the end of 10 years from the date of the advance, whichever occurs first. Thereafter interest payments, at the interest rate established for loans on the date of the advance, will be scheduled at least annually. To be eligible for these terms, there must be evidence that the local organization will use the water and can meet scheduled installments of principal and interest.

The interest rate is the average rate paid by the U. S. Treasury on obligations of a similar maturity outstanding at the beginning of the fiscal year in which the watershed loan is made. Once the interest rate is set on a loan, it will not change during the life of that loan.

Each borrower may make prepayments in any amount at any time.

## **How much can be borrowed or advanced?**

The total amount of indebtedness for all watershed loans for any one watershed project, whether made to one or more borrowers, shall not exceed \$5 million.

The maximum amount of any advance for reservoir capacity for future water supply will be 30 percent of the estimated total installation cost of the structure in which capacity for future water supply is to be provided.

The amount of an advance to acquire and preserve sites for works of improvement may not exceed the amount determined by the SCS to be necessary.

## **What security is required?**

Watershed loans and advances will be secured in a manner which will adequately protect the interests of the Government. Usually, security that can be offered includes general obligation bonds supported by ad valorem taxes, revenue bonds secured by pledges of revenue, other evidences of debt secured by special assessments or by liens on facilities and pledges of income.

## **How to apply?**

Each local organization desiring a watershed loan will make application to the local county supervisor of the Farmers Home Administration. Organizations desiring an advance will contact the Soil Conservation Service representative.

## **How do watershed loans aid in rural areas development?**

These loans help local organizations carry out multiple purpose watershed projects in their communities for flood prevention, and adequate water supplies for irrigation and municipal use, recreation, fish and wildlife improvement and pollution abatement. Such communities are more desirable areas for new industries to establish plants which in turn provide employment for local people. Farmers and businessmen in the area are able to stabilize their incomes because they no longer suffer heavy production losses in certain years because of floods or inadequate water for irrigation, livestock, household use and industry.

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